

ORIGINAL

BEFORE THE  
**Federal Communications Commission**  
 WASHINGTON, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )  
 )  
 1998 Biennial Regulatory Review — Review of )  
 ARMIS Reporting Requirements )

CC Docket No. 98-117

**REPLY COMMENTS OF U S WEST, INC.**

U S WEST, Inc. ("U S WEST") hereby submits the following reply comments in the above-captioned proceeding.<sup>1</sup>

**I. INTRODUCTION**

Almost all of the parties participating in this proceeding agree that the proposals in the *ARMIS NPRM* to reduce the reporting requirements of the Commission's Automated Reporting Management Information System ("ARMIS") are reasonable and constitute a good first step toward reducing unnecessary regulatory burdens upon telecommunications carriers. U S WEST and several other parties, however, argue that the *ARMIS NPRM* does not go far enough in satisfying the Commission's obligation under Section 11 of the Communications Act, as amended, to repeal or modify rules that are no longer in the public interest. Indeed, most of the large incumbent local exchange carriers ("LECs") and the United States Telephone Association ("USTA") provided recommendations for eliminating or modifying many of the existing ARMIS reporting requirements. U S WEST supports the proposals made by USTA. Further,

<sup>1</sup> See 1998 Biennial Regulatory Review — Review of ARMIS Reporting Requirements, CC Docket No. 98-117, Notice of Proposed Rulemaking, FCC 98-147 (rel. July 17, 1998) ("ARMIS NPRM").

U S WEST reiterates its position that the Commission should adopt the proposals set forth in its comments filed on August 20, 1998.

## II. COMMENTS OF MCI, AT&T AND GSA DO NOT RAISE SIGNIFICANT ISSUES

MCI Telecommunications Corporation ("MCI") and AT&T Corporation ("AT&T") oppose the Commission's proposal to reduce the ARMIS reporting requirements for mid-size LECs.<sup>2</sup> These parties argue that the Commission should continue to require all LECs to file ARMIS reports reflecting the Class A accounting level of detail. The Government Services Administration ("GSA") urges the Commission to maintain the Class A level reporting requirements for the largest LECs.<sup>3</sup> U S WEST submits that the arguments offered by MCI, AT&T and GSA are unsupportable and simply represent these parties' "knee-jerk" opposition to any regulatory relief for LECs regardless of the merits.

MCI, AT&T and GSA each assert that ARMIS reports reflecting the Class A level of accounting detail is necessary to support Commission investigations of tariffs and potential cost misallocations.<sup>4</sup> As comments filed in this proceeding and with regard to the *Accounting NPRM*<sup>5</sup> show, however, Class B accounting is appropriate for all LECs, both large and small, and will provide sufficient information for the Commission to carry out its responsibilities in a

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<sup>2</sup> MCI Comments at 2-4; AT&T Comments at 2-7.

<sup>3</sup> GSA Comments at 3-4.

<sup>4</sup> MCI Comments at 3; AT&T Comments at 6-7; GSA Comments at 3-4.

<sup>5</sup> See 1998 Biennial Regulatory Review — Review of Accounting and Cost Allocation Requirements; United States Telephone Association Petition for Rulemaking, CC Docket No. 98-81, ASD File No. 98-64, Notice of Proposed Rulemaking, FCC 98-108, ¶¶ 4-12 (rel. June 17, 1998) ("*Accounting NPRM*").

competitive market place.<sup>6</sup> Simply put, it is the data from the underlying accounting records and not the account totals presented in the ARMIS reports which are most useful to Commission investigations and this data can be obtained, on an as-needed basis, even if a given LEC uses Class B accounting.

GSA argues further that stringent accounting safeguards must be maintained to protect ratepayers as long as large LECs retain significant market power in the local exchange and exchange access markets.<sup>7</sup> As U S WEST indicated in its comments, however, the large LECs are now subject to no-sharing price cap regulation at the federal level and in many states.<sup>8</sup> No-sharing price cap regulation essentially eliminates the incentive and opportunity for LECs (whether large or mid-size) to cross-subsidize services. Insofar as there is no incentive or opportunity to cross-subsidize services, Class A accounting detail is not necessary for the Commission to protect rate payers or to comply with its oversight and regulatory obligations under the Communications Act.

MCI also contends that the Class A detail is necessary to support state regulatory functions such as estimating the avoided cost of providing wholesale services, improving cost allocations, and determining pole attachment fees.<sup>9</sup> U S WEST submits that the Class B detail can provide the state regulators with sufficient information. Indeed, MCI fails to offer any

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<sup>6</sup> See Bell Atlantic Comments at 12-14; Southwestern Bell Telephone Company, Pacific Bell and Nevada Bell Comments at 14-15; United States Telephone Association Comments at 4-5. See also Ameritech Comments, CC Docket No. 98-81, at 11 (filed July 17, 1998); GTE Comments, CC Docket No. 98-81, at 11 (filed July 17, 1998).

<sup>7</sup> GSA Comments at 4.

<sup>8</sup> U S WEST Comments at 5-6.

<sup>9</sup> MCI Comments at 3.

argument suggesting that Class B information is not adequate. MCI claims further that Class A accounting is needed for the Commission to track competitive changes made by the LECs.<sup>10</sup> ARMIS reports, however, provide only incomplete data regarding competition in the marketplace and better tools exist for the Commission to assess such competition.<sup>11</sup>

Finally, U S WEST notes that AT&T objects to the Commission's proposal to relieve mid-size LECs, but not large LECs, of certain ARMIS reporting requirements because such a two-tiered approach is inconsistent with past practice.<sup>12</sup> U S WEST agrees that there is no rational justification for treating "large" and "mid-size" LECs differently in this regard.<sup>13</sup> Contrary to AT&T's position, however, this lack of justification *does not* require the Commission to retain stringent ARMIS reporting requirements for all LECs. In fact, as USTA points out, "the ARMIS reports have outlived their usefulness, pose unnecessary and costly administrative burdens and should be eliminated."<sup>14</sup> Thus, U S WEST reiterates its position that the Commission should not distinguish between large and mid-size LECs, but should reduce ARMIS reporting requirements for *all* LECs.<sup>15</sup>

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<sup>10</sup> *Id.*

<sup>11</sup> See Ameritech Comments at 8-9.

<sup>12</sup> AT&T Comments at 4-6.

<sup>13</sup> U S WEST Comments at 5-7.

<sup>14</sup> USTA Comments at 2.


<sup>15</sup> U S WEST Comments at 7.

**CONCLUSION**

In sum, U S WEST submits that Section 11 of the Communications Act makes clear that the Commission has an obligation to modify or eliminate regulation that no longer serves the public interest. As discussed above and in the comments filed in this proceeding, no-sharing price cap regulation has effectively eliminated the incentives and opportunities for large LECs to engage in cross-subsidization and other anticompetitive practices. Thus, many of the ARMIS reporting requirements which were designed to identify cost misallocations and support now out-dated rate of return regulation are no longer necessary and should be eliminated. Accordingly, U S WEST submits that the Commission should apply the proposals in the *ARMIS NPRM* to the large as well as mid-size LECs. Additionally, the Commission should adopt the recommendations set forth in U S WEST's comments.

Respectfully submitted,

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Date: September 4, 1998

**CERTIFICATE OF SERVICE**

I, Jo-Ann G. Monroe, hereby certify that I have on this 4th day of September, 1998 caused a copy of the foregoing Reply Comments of U S WEST, Inc. to be served by First Class, U.S. mail, postage prepaid, on the following:

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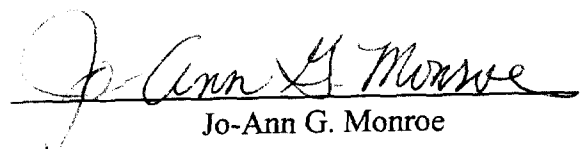
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